

**Government of the District of Columbia
Office of the Chief Financial Officer**



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Vincent C. Gray
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer

DATE: JUL 10 2007

SUBJECT: Fiscal Impact Statement: "SEFC PILOT Revision Emergency Approval Resolution of 2007".

REFERENCE: Bill 17-159

Conclusion

Funds are sufficient in the proposed FY 2008 budget and the proposed FY 2008 through 2012 budget and financial plan to implement the provisions of the proposed title.

Background

The legislation revises the Payment in Lieu of Taxes Revenue Bonds Southeast Federal Center Project Approval Resolution of 2006 to 1) allow direct funding of project costs from the PILOT account and 2) specifically include possessory interest taxes in the PILOT Area to be included in the calculation of maximum debt service on any bond issued for the project.

Direct funding of project costs from funds available in the PILOT account will have no impact on the budget and financial plan. It could create financing cost savings because it would reduce the amount of bonds issued for the project.

The PILOT Area will include properties that will be transferred from the Federal Government to private ownership in the District and properties that will remain federally owned but have private leaseholds. These types of leaseholds are required to pay possessory interest taxes in lieu of real property tax, and in the PILOT Area, these payments are deposited into the PILOT account. By including PILOT payments received from the leasehold properties in the calculation of maximum debt service, the District would be able to fully finance the project at an earlier date.

In its fiscal impact statement for the original June 6, 2006 PILOT Resolution, the OCFO noted that the proposed debt issuance could cost significantly more than a revenue bond issued by the District backed by PILOT proceeds. At that time, the CFO estimated the

Forest City proposal would be approximately \$35 million more than a District-issued revenue bond. However, to achieve investment grade, annual debt service on a District-issued revenue bond would have to be included in the budget, and in the budget and financial plan. The OCFO will continue to work with the Mayor's Office to reduce the cost of all District borrowings.

Financial Plan Impact

Funds are sufficient in the proposed FY 2008 budget and the proposed FY 2008 through FY 2012 budget and financial plan to implement the provisions of the proposed legislation.